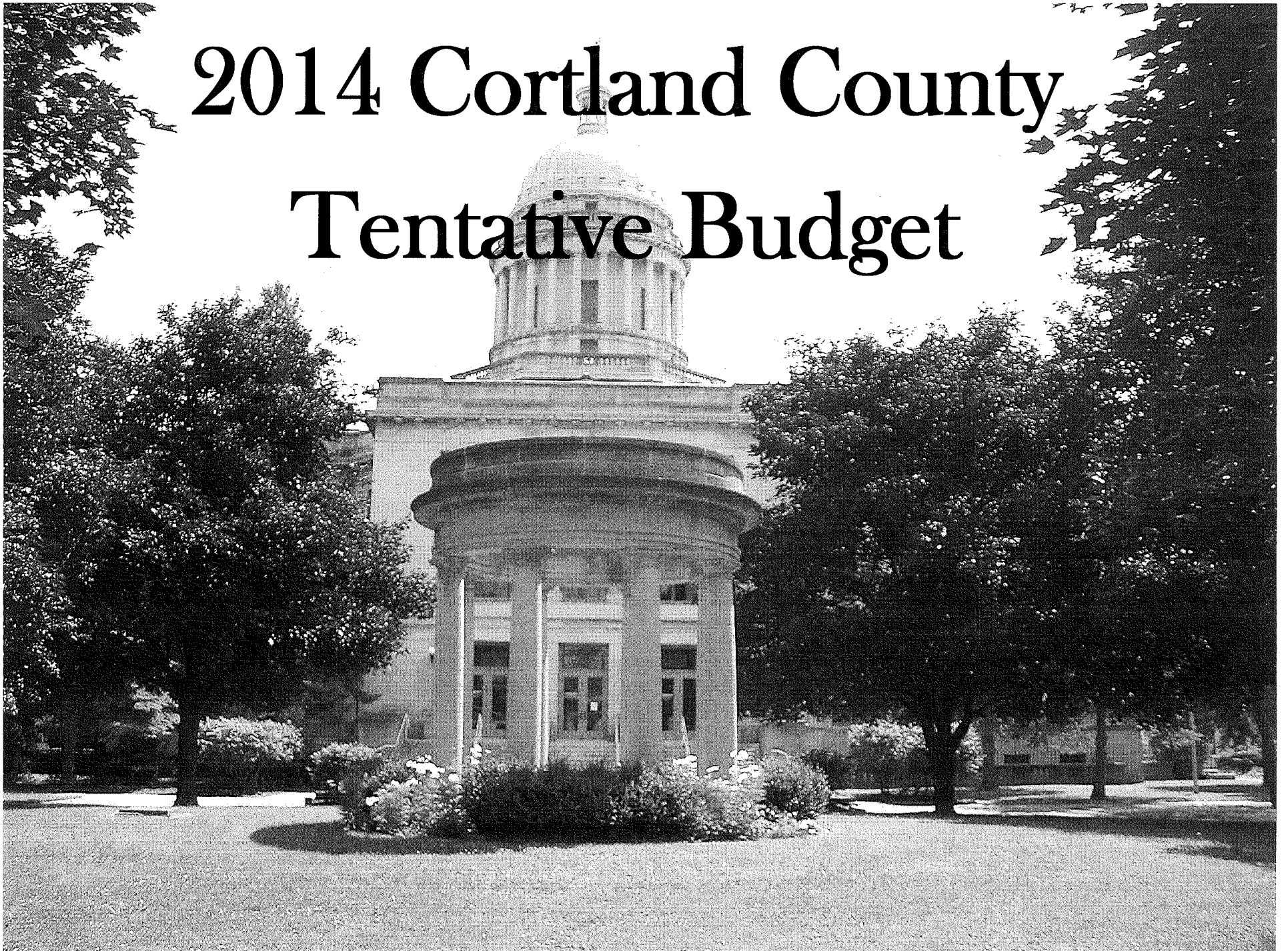


2014 Cortland County Tentative Budget



**CORTLAND COUNTY
NEW YORK**

**ADOPTED COUNTY BUDGET
FISCAL YEAR 2014**

MICHAEL PARK
CHAIRMAN, COUNTY LEGISLATURE

ANTHONY PACE
CHAIRMAN, BUDGET & FINANCE COMMITTEE

BUDGET & FINANCE COMMITTEE

NEWELL WILLCOX	KATHIE ARNOLD
SUSAN BRIGGS	DANNY ROSS
RAY PARKER	KEVIN WHITNEY

MARTIN MURPHY
COUNTY ADMINISTRATOR / BUDGET OFFICER

JEREMY BOYLAN
CLERK OF THE LEGISLATURE

**CORTLAND COUNTY
NEW YORK**

**ADOPTED COUNTY BUDGET
FISCAL YEAR 2014**

DEPARTMENT NAME	PAGE	DEPARTMENT NAME	PAGE
AIRPORT	283	HIGHWAY	253
APPENDICES	1	INFORMATION TECHNOLOGY	133
AREA AGENCY ON AGING	230	MENTAL HEALTH	203
BOARD OF ELECTIONS	124	PERSONNEL DEPARTMENT	116
BUILDINGS & GROUNDS	128	PLANNING	247
CORONER	92	PROBATION	145
COUNTY ADMINISTRATION	88	PUBLIC DEFENDER	84
COUNTY ATTORNEY	114	REAL PROPERTY TAX SERVICE	107
COUNTY AUDITOR	94	SAFETY OFFICE	161
COUNTY CLERK	110	SHERIFF	151
COUNTY LEGISLATURE	57	SOCIAL SERVICES	215
COUNTY TREASURER	97	SOLID WASTE	277
DISTRICT ATTORNEY	75	VETERANS SERVICE AGENCY	225
DWYER PARK	284	WEIGHTS & MEASURES	227
EMERGENCY RESPONSE & COMMUNICATION MGMT	140	WORKER'S COMP FUND	285
HEALTH DEPARTMENT	163		
HEALTH INSURANCE FUND	123		

Michael R. Park
Chairman

Martin D. Murphy
County Administrator

CORTLAND COUNTY TENTATIVE BUDGET MESSAGE

October 23, 2014

To: Chairman Michael R. Park
Honorable Members of the County Legislature
Residents of Cortland County

Pursuant to the provisions of Article 7 of County Law, I herewith submit the recommended spending plan for the County of Cortland for 2014. Contained in this budget are those items required by law including:

- ✓ Schedule of Recommended Appropriations & Revenues
- ✓ Statement of Aggregate Amount of Un-Appropriated Fund
- ✓ Balance for: (Appendix A)
 - General Fund
 - County Road Fund
 - County Road Machinery Fund
 - Solid Waste Fund
 - Health Insurance Fund
 - Worker's Compensation Fund
- ✓ Statement of each Reserve Fund (Appendix B)
- ✓ Statement of Outstanding Indebtedness of the County Evidenced by Bonds or Notes (Appendix C)
- ✓ Statement of Exemptions and impacts

Cortland County is still entrenched in a very difficult fiscal period. The "Great Recession" exposed a lot of frailty in how New York State, its governmental subdivisions and New York State residents pay for desired public services.

County budgets are directly linked to the State Budget. The vast majority of spending in this year's County Budget is the direct result of policy decisions made by the Governor and State Legislature during the annual budget process. This means that county budgets have also been under great duress in recent years, and the future, while brighter than a few years ago, remains

extremely challenging for Cortland County. The County cost curve has not been reduced and we are still looking for the light at the end of the tunnel.

The cost of providing State and federal mandated programs continue to increase faster than the revenues from those same agencies. This translates into diminished local services and increasing property taxes as the State continues to shift the cost of unfunded State mandates on to local property taxpayers.

If we want to reduce pressure on property taxes we must end the State's current financing practice. It is a system that relies on a state imposed tax on real estate to support programs designed and controlled by the State elected officials. To set the record straight, these are not county property taxes. These are real estate taxes we collect on behalf of and send to the State capital to pay for the decisions made by the State Legislature.

Real property taxes are the single largest source of revenue for local governments in New York. The fiscal situation is complicated by the 2 percent property tax cap, the State's Constitutional Tax Limit and the State's restriction on local home rule revenue bills.

In good fiscal times, the challenge is to identify the most worthy causes to fund. In difficult fiscal times, where we are now, the challenge most often is which programs to cut and by how much. It is called governing by triage, and it is the unenviable position that we find ourselves in as government leaders.

2% PROPERTY TAX CAP:

The 2011 state law placed a 2 percent limit on how much a school district or municipality can raise its property tax in any given year. The actual limit varies each year and is adjusted for new construction, pension costs and actions in prior years. The cap also can't exceed the rate of inflation, and for the first time since it took effect, stagnant price growth means municipalities will face a cap of 1.66 percent – not 2 percent.

Even though the Tentative Budget proposes a tax levy that just barely complies with the allowable tax cap levy, I will again this year recommend the Legislature vote to override the tax cap as purely a precautionary measure to protect against subsequent changes to the computation by the NYS Comptroller.

CONSTITUTIONAL TAX LIMITS:

The New York State Constitution places a legal limit on the authority of counties, as well as cities and villages, to impose property taxes. Statutes intended to enforce these constitutional provisions require the Comptroller to withhold certain local assistance payments if taxes are levied in excess of a municipality's tax limit.

In our current fiscal environment, constitutional tax limits are taking on a greater significance on the ability of the County to use real property taxes to balance the budget. Growing budgets and shrinking non-property tax revenue streams generate pressure to increase property taxes, thus exhausting a greater percentage of the limit. As a result of these factors, (growing expenditures, diminishing non-property tax revenues and a declining or stagnant tax base), Cortland County is approaching its taxing limit.

As the County advances towards its tax limit, it loses flexibility in its revenue structure and may not be able to sustain the current level of services provided to our citizens.

Even routine costs increases can pose serious budget difficulties if there is no corresponding growth in non-property tax revenues. Since tax limits are computer based on the full valuation of real property, a decline in property values and changes in exclusions from the tax limit can impact the calculation of the taxing capacity. Thus, a county can approach its tax limit, even with no change in property tax levies from year to year.

There is no absolute standard or target for a tax levy as a percent of the constitutional limit; however, counties that have exhausted over 80 percent of their tax limit are considered to be in a caution zone, while those over 90 percent are in a danger zone. Cortland County is on the verge of the danger zone.

Cortland County's ability to increase property taxes is severely limited, and our ability to maintain existing tax levels may be at risk because even small variations in exclusions or real property valuation could cause the County to exceed its tax limit. The County must be vigilant in managing the tax margin.

The County's total indebtedness equals \$27,270,000 or 17.81% of its Constitutional Debt Limit in 2014. Beginning in 2012, the County undertook a ten-year plan to borrow \$1.6 million each year for much needed bridge and culvert replacement. 2014 will be the third year of that plan. Each \$1.6 million borrowed adds approximately \$90,000 to the County's debt repayments schedule.

TENTATIVE PROPERTY TAX LEVY:

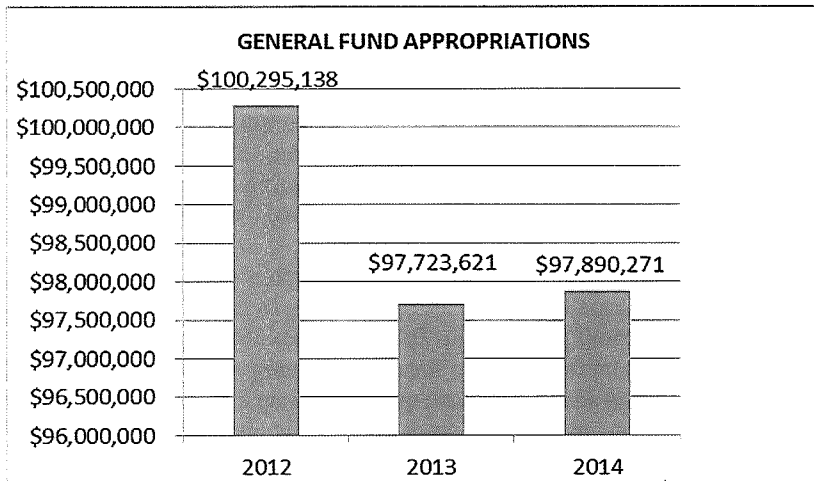
The 2014 Tentative Budget recommends a property tax levy of \$32,979,348 which is \$180,287 less than the 2013 property tax levy (\$32,799,061) and \$424,686 less than the NYS allowable tax cap levy (\$33,404,034). More importantly, the Tentative Budget recommends a Constitutional Tax Limit of 89.60% exhausted.

NYS CONSTITUTIONAL LIMITS	2011	2012	2013	2014
% Tax Limit Exhausted	91.89	92.37	88.58	89.60
% Debt Limit Exhausted	17.00	14.00	16.00	17.81

GENERAL FUND APPROPRIATIONS:

General Fund Appropriations equal \$97,890,271. This represents an increase of only \$160,419 over 2013 (\$97,739,852) and evidence that Cortland County is doing an excellent job or curtailing and reducing expenditures wherever and whenever possible. To understand how remarkable this minimal increase in appropriations is this year, keep in mind that these appropriations include salary increases of \$236,693 alone.

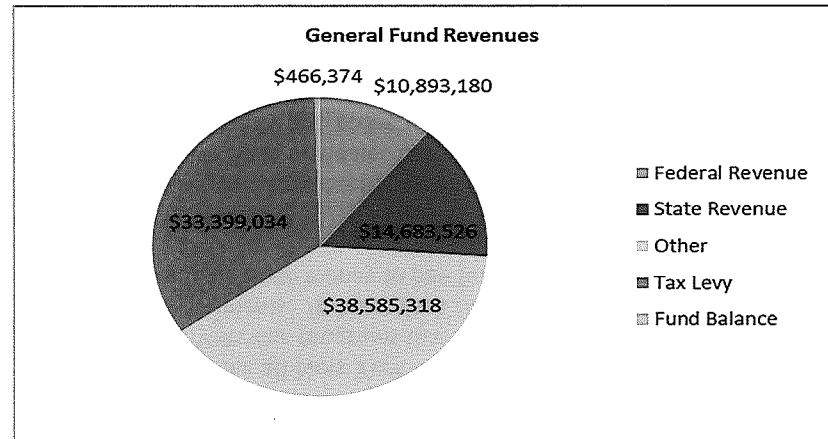
Each year, our Department heads do an outstanding job holding the line on spending, realigning and reallocating limited resources in order to improve efficiencies. In developing this Tentative Budget, I challenged our Department Heads with hitting a target net county cost figure that I am sure was difficult for all. Many were able to reduce, consolidate and restructure to help achieve the goal while others were forced to make the difficult decision to reduce staffing and or programs.



GENERAL FUND REVENUES:

In 2014, non-property tax General Fund Revenues equals \$64,162,024. This represents a modest increase of \$806,393 (.0127%) over the 2013 General Fund Revenue total. The small increase in non-property tax revenues consists of an increase of primarily federal (\$153,357) and state (\$570,277) revenues totalling \$723,584 along with local revenues totalling \$82,809.

Sources of non-property tax general revenue are shown in the following chart:



LOCAL REVENUES:

Simply put, counties do not have enough local resources to support the expected increases in state mandated costs over the next decade.

Despite a small percentage increase (0.375%) in total sales tax revenues the County will receive in 2014, several departments have been forced to reduce staffing levels and services to manage the increasing costs of state-mandated programs and declining departmental revenues.

As can be seen in this Budget, for the first time, the Probation Department will begin charging fees for providing certain services for those individuals requiring supervision or monitoring. Charges for other services will also be explored. It is vital that the County explore and seize opportunities to generate additional or new non-property tax revenue streams.

The proposed “Ash for Trash” inter-municipal agreement with Onondaga County could create a new, and much needed, revenue stream for the cash-strapped Solid Waste Fund. Preliminary estimates project new revenues as much as \$1 million per year. Currently, hundreds of thousands of taxpayer dollars are transferred to the Solid Waste Fund each year to cover the enterprise fund’s indebtedness.

The upcoming Upstate New York Gaming and Economic Development Act authorizes up to four destination gaming resorts in Upstate New York and provides additional revenues from existing Native American gaming facilities to local governments, contingent on voter approval. The New York State Division of the Budget has estimated Cortland County would receive approximately \$268,602 annually in new revenue if the November 5, 2013 referendum were to pass.

STATE MANDATES:

The Great Recession marked a dramatic turning point in State-County fiscal relations, but not in a completely unexpected way. Even before the dramatic budget shifts that occurred as a result of the Great Recession, the State-County fiscal relationship was not always a smooth one. Unfortunately, over the years, State laws that were intended to reduce costs to county taxpayers were enacted but never implemented.

The preschool special education program is a prime example. The original intent was to limit the county and New York City fiscal exposure for this state and federally mandated program to no more than 25 percent – with an acknowledgment that this should primarily be a state responsibility. Since the early 1990’s the state has overridden permanent law to match rates to the detriment of county and City property tax payers. This continues today.

This practice has cost local property tax payers more than \$1 billion over the last 5 years.

In other areas we have seen a gradual reduction in state reimbursement (or a complete elimination of state fiscal support) to counties for state programs that counties are required to deliver, manage and fund.

Probation used to be an equally shared fiscal responsibility between the State and counties. However, state reimbursement today covers a mere 12 percent of County probation costs. Over the years the State has increased, not reduced, local probation responsibilities. For example, Leandra’s Law and Juvenile Justice reforms have substantially increased the workload for county probation offices

Cortland County, like all New York counties is responsible for providing health and family service programs that are strictly mandated by both state and federal governments. In New York State, most of these mandates are not accompanied by State money to pay for them or are only partially paid for.

Because County government relies on primarily on property taxes to operate, expensive State mandates become expensive property taxes on local taxpayers. Simply put, property taxes will continue to rise as long as the State continues to shift its financial responsibilities to local governments and taxpayers.

New York State’s Medicaid program bears little resemblance to the program initiated by Governor Rockefeller and the State Legislature in the mid-1960’s. That program was a simple healthcare safety net built on a platform of county (local) service delivery to provide for the health and welfare of its disabled and poor residents. More than five decades later, Medicaid in New York has grown into the nation’s largest and most expensive state system of public insurance. It now represents one-third of the entire health care economy in New York State.

In Cortland County, the net County cost of Medicaid and other social services programs is over \$17 million 2014. Social service programs alone consume more than half of the entire property tax levy.

STATE MANDATED PROPERTY TAXES	2013 Costs	2013 Revenues	Net Local County Cost
District Attorney	\$ 920,992	\$ 95,289	\$ 825,289
Public Defender	\$ 629,883	\$ 50,174	\$ 579,709
Corrections	\$4,506,275	\$ 0	\$ 4,506,275
Payment to Other Colleges	\$ 325,000	\$ 0	\$ 325,000
Early Intervention	\$ 947,145	\$ 473,344	\$ 473,474
Pre-K Handicapped Education	\$ 2,366,676	\$ 1,688,040	\$ 934,685
DSS Administration	\$ 9,545,681	\$ 5,597,010	\$ 3,948,671
DSS Entitlements & Programs	\$ 23,956,346	\$ 10,442,669	\$ 13,513,677
Pensions	\$ 4,963,910	\$ 0	\$ 4,963,910
TOTAL	\$ 48,161,908	\$ 18,346,526	\$ 29,815,382

In Cortland County, the cost of the above mentioned State-mandated programs alone are over 90% of the proposed \$32, 992,420 property tax levy. In other words, \$0.90 cents of every property tax dollar generated in Cortland County goes to state mandated programs.

While County leaders believe local revenues should be raised to help finance local services, like programs for the poor and elderly, parks and recreational facilities, public safety, public health services, maintaining local roads and bridges, providing clean drinking water, and promoting economic development and local tourism, they are powerless to affect the overwhelming majority of local budgetary spending.

LOCAL ECONOMIC CONDITION:

Cortland County has held its own this year as the Central Upstate New York economy continues its slow rebound.

The unemployment rate in Cortland County has declined almost 1 full percentage point from August 2012 while the number of employed has dropped only 0.2 during the same time.

Employed, Unemployed, and Rate of Unemployment by residence (numbers in thousands, not seasonally adjusted) Aug 2013									
County	Employed			Unemployed			Unemp. Rate		
	Aug 2013	Jul 2013	Aug 2012	Aug 2013	Jul 2013	Aug 2012	Aug 2013	Jul 2013	Aug 2012
Cortland	21.5	21.5	21.7	1.8	1.8	2.0	7.6	7.7	8.5

In New York State, Cortland County ranked 42 out of 62 counties with an unemployment rate of 7.6. Although the unemployment rate in Cortland County continues to lag behind both the national (7.3%) and State average (7.1%), it has improved in the last August from 8.5% to 7.6% in 2013. Source: NYS Department of Labor; Bureau of Statistics/Haver Analytics

Important developments included the IDA’s closing on the sale of the Finger Lakes East Business Park to Byrne Dairy, which has begun its \$30 million development of a yoghurt, cheese, and sour cream production facility as well as a visitor’s center at the Cortlandville site. Subsequent phases of development will include the \$4 million renovation of the adjacent farm to a tourism attraction and the construction of an amphitheater at the rear of the 125-acre property. Phase one will lead to 70 new well-paying jobs, with subsequent phases expected to create hundreds more in the coming years as while attracting thousands of visitors. The county’s initial investment of \$750,000 into the project has been repaid in full with the sale of the park.

The Business Development Corporation and others also worked hard this year to win support for a proposal to incentivize mixed-use redevelopment in the Central Business District in downtown Cortland. Pointing to potential for such projects drive downtown residency and vibrancy, the county joined the city of Cortland and the Cortland City School District in authorizing the

412-m tax incentive program. Cortland County is believed to be the first in New York to approve of this legislation.

The bankruptcy sale of Greek Peak Ski Resort and its acquisition by two Elmira area businessmen also made the news. The new owners are now completing a multi-million dollar capital investment at the resort, including the installation of a new “quad lift” – the first of its kind in Central New York – and renovations to its restaurant, lodge, and other facilities at the base of the mountain. That capital investment was aided by incentives by the IDA, and is expected to generate thousands of new skiers at the resort this winter.

Northeast Transformer Services, a home-grown company with its roots in the city of Cortland, has officially taken up quarters at former Bestdeck facility in the town of Preble. The company, which outgrew its city headquarters, invested some \$2.5 million in acquiring and renovating the 70,000-square-foot building, and has increased its workforce from 29 to more than 50 in a few short months since the move. More growth is expected in the years ahead. The company decided to stay and grow in Cortland County despite other options out of state.

The IDA and the City of Cortland have moved positively toward wresting control of the former Buckbee-Mears plant from Control by the Bank of India, which has let the property deteriorate since the plant was abandoned in 2007. A foreclosure sale of the property is scheduled for this fall, with efforts underway to market the facility to brownfield developers and others who would bring the plant back to productive use. The facility, which remains in some disrepair, nonetheless has some significant assets that developers may find attractive.

The state’s consolidated Funding Application process has led to awards of significant grant dollars to the county in 2012-13, including awards for the development of a new rail siding in the Noss Park area of the city, resources for capital investment at the ALPLA facilities in the city, assistance for housing projects in the city, grants for Lime Hollow and dollars for the continued renovation of a downtown building as a business incubator for

young entrepreneurs.

One segment of our local economy that has not yet benefitted from the gradual upswing in the economy is those individuals dependent upon public financial assistance.

Family Assistance reflects any expenditure made for families who are eligible for Family Assistance cash benefits including emergency benefits and employment services. It also reflects any expenditure made for families in receipt of mandated preventive services and/or foster care services that meet eligibility criteria for Emergency Aid to Families.

Safety Net is a category of cash assistance made for childless individuals or families who have exhausted their 60-month time limit for Family Assistance who qualify for the state operated Safety Net cash assistance program. It includes emergency services for those who qualify.

SOCIAL SERVICES DEPARTMENT						
Program	2010 Actual	2011 Actual	2012 Actual	2013 Aug. 30	2013 Est.	2014 Est.
Family Assistance	244	250	246	257	264	262
Safety Net	202	225	225	249	265	280
Emergency Aid to Adults	7	5	6	10	10	10
Food Stamps	3224	3453	3618	3752	3800	3900

COUNTY WORKFORCE:

Overall, the 2014 Tentative Budget recommends a net reduction in the County workforce of 4.56 FTEs with several positions being abolished and then re-created with fewer hours per week. In sum, two (2) full-time positions and six (6) part-time positions would face lay-offs.

The Area Agency on Aging would initially abolish three (3) full-time and twelve (12) part-time positions. Aging would create nine (9) new part-time positions with reduced hours for six part-time and three full-time positions. Abolishing the remaining six part-time positions would result in lay-offs.

A full-time Keyboard Specialist position in the Planning Department will be abolished and a new Planner position created. This would create one lay-off.

The County Health department would abolish a vacant Secretary II, Health Services Facilitator and a Public Health Project Assistant position. This would create one lay-off and one demotion.

The Mental Health Department proposes abolishing a vacant full-time Clinical Director and full-time LMSW position as well as a part-time LMSW position. Mental Health would create a part-time Clinical Director position. This will not result in any lay-offs.

The Highway Department is proposing abolishing two vacant MEO positions and creating one Senior Engineer position. This will not result in lay-offs.

The County Treasurer and the County Clerk each propose abolishing one vacant position in each of their departments respectfully due to lack of available work. This would not result in any lay-offs.

The Information Technology has requested creating GIS Specialist position to provide much need mapping assistance and guidance to the Emergency Response and Communication Department's New World System.

A part-time (17 hr/week) Advocate position in the District Attorney Child Advocacy Center program was abolished to cover the rental fee in the County Office Building without significant programmatic changes.

Although the Sheriff requested eight (8) new correction officer positions, this Budget Officer recommends creating five (5) new correction officer positions to staff a new housing unit in the jail. The new housing unit will

accommodate 19 new inmate beds. This project will address the current over-crowding issue and significantly reduce, if not eliminate, the need to board out inmates to other correctional facilities in the short-term. The ever-increasing jail population is an issue that will need to be addressed in the long-term. A proposal to renovate existing space in the jail facility to dormitory space to accommodate nineteen (19) new inmate beds and create five (5) new corrections positions will be offset, at least initially, by a significant reduction in the current cost of boarding-out inmates due to over-crowding. An addition of nineteen new beds creates the possibility of generating some minor revenue by boarding in out-of-county inmates.

County Staffing Levels by Department							
	Sheriff & Jail	DSS	Aging	Highway	Health	All Others	Total
2009	147	135	57	81	125	220	765
2010	144	132	51	77	114	198	716
2011	146	132	51	76	94	196	695
2012	143	131	51	73	75	195	670
2013	145	131	53	72	68	188	658
2014	150	131	49	71	66	186	654

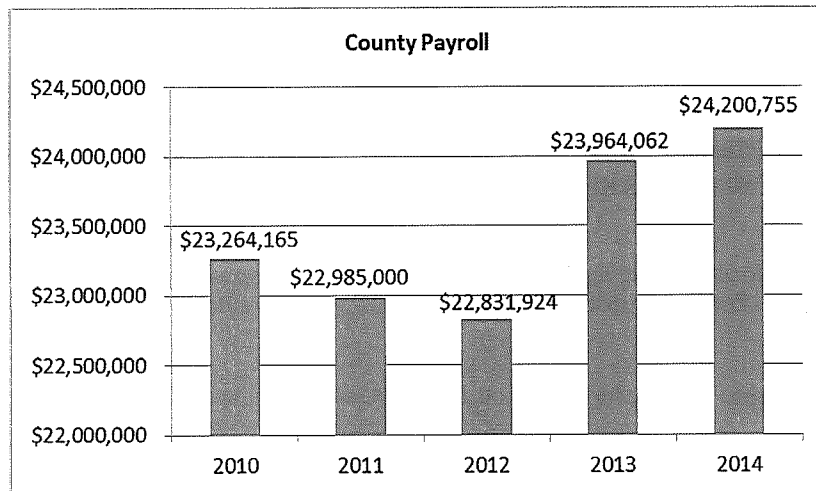
The sharp decline (-25) in the total FTEs from 2011 to 2012 was a result of a NYS retirement incentive to municipalities that could demonstrate a positive net cost savings over a three year period. 25 FTE employees opted to take the early retirement incentive.

PAYROLL:

Every union and management employee will receive a 1.5% cost of living adjustment in 2014. Regular and part-time salaries are projected to increase approximately \$236,693 in 2014. This figure does not include overtime, step increases or longevity payments which some employees will receive.

The current Agreements between the CSEA, Local 1000 AFSCME, AFL-CIO Units #6550, 6550-02, and 6550-03 will expire on December 31, 2014. Negotiations are expected to commence during 2014.

The Agreement with the NYS Nurses Association will expire on June 30, 2016. The Agreement with the County Police Association of Cortland County is set to expire on December 31, 2016.



FISCAL CONDITIONS:

The increasing cost of funding and delivering state mandated programs continues to be the biggest fiscal challenge facing Cortland County.

Presently, the County’s reserve accounts and fund balances are stable, however, as we are experiencing this year, without significant mandate relief the County will be forced to deplete our reserves and/or dismantle vital programs to our senior populations and other services to cover the cost of Medicaid and other welfare mandates.

With 89.6% of the County’s Constitutional Tax Limit (CTL) exhausted the County has very few options to additionally generate revenue. The 10-year bridge replacement program will incur \$1.6 million in new debt each year.

Capital projects are considered exclusions to the CTL, but borrowed money must also be paid back. With little flexibility to increase taxes the County is under pressure to find new revenue streams to finance these capital projects.

The Solid Waste Fund continues to put pressure on the General Fund and the County’s ability to fund other local programs. Although established as an enterprise fund, which should be self-sustaining, the Solid Waste Fund has relied on an intra-fund transfer of taxpayer funds to satisfy its debt obligations. In some years, this intra-fund transfer has been as high as \$400,000 or over 1% of the total tax levy.

GENERAL FUND BALANCE:

The General Fund Balance is estimated to be \$10,800,000 at the end of FY 2013 to stabilize the tax rate. In 2014, the Tentative Budget recommends using \$743,118 in various fund balances to comply with the NYS property tax cap and hold our CTL to less than 90%.

General Fund:

Un-appropriated Fund Balance	\$323,418
Tax Stabilization Reserve	\$300,000
Occupancy Tax Reserve	\$ 50,000
Liability Reserve	\$ 39,700
DWI Reserve	<u>\$ 30,000</u>
TOTAL	\$743,118

REAL PROPERTY TAX BASE:

A major court decision and a negotiated settlement in 2013 for two parcels in the Town of Virgil will have negative consequences for the Town of Virgil, the County and the school district.

In 2013, Hope Lake Lodge filed suit to have their \$21,313,000 assessment reduced. In a certiorari proceeding, the judge ruled the assessment to be \$14,482,000, a reduction of almost \$7 million.

Creamery Hills, a not-for-profit adult home, was under a Payment In-Lieu of Taxes (PILOT) Agreement until 2011 when they were expected to be put on the tax roll at an assessed value of \$1.5 million. It now appears, a negotiated settlement reducing the assessed value to \$600,000 is being considered.

As such, increase in taxable value from 2013 to 2014 will be minimal. A stagnant tax base also puts additional pressure on the County to generate revenue.

The most desirable strategy is to have your tax rate remain constant and capture larger revenue from new construction occurring in the County. New construction expands the tax base and thereby distributing the tax burden. On the other hand, a decrease in taxable value from the economic downturn contracts the tax base and thereby increasing the burden on existing property owners. The following Table depicts the history of the equalized and taxable value tax base in the county. New construction and revaluation figures are not readily available from local assessors making it impossible to determine how much of the increase in tax levy results in declining values.

As previously mentioned, new construction is desirable to improve your taxing strength without increasing taxes to existing property owners. The lack of new construction places a larger burden on existing taxpayers to absorb any budgetary increases. The tax foundation released its annual property tax rating, reconfirming that New York homeowners and businesses continue to pay the highest taxes in the nation. One of the main reasons for this stigma is that the State continues to require county property taxpayers to fund a large portion of the State's health and human services programs.

Property Tax Base History 2009 – 2014		
	Equalized	Taxable
	Value	Value
2009	\$ 2,248,448,947	\$ 1,898,114,866
2010	\$ 2,280,723,188	\$ 1,946,440,570

2011	\$ 2,282,202,565	\$ 2,016,768,909
2012	\$ 2,303,800,397	\$ 2,164,903,658
2013	\$ 2,283,441,756	\$ 2,189,704,990
2014*	\$ 2,251,229,379	\$ 2,199,318,430
*Tentative		

2014 Property Tax Levy	\$32,932,420
New York State Portion	\$29,815,382
Cortland County Portion	\$ 3,117,038

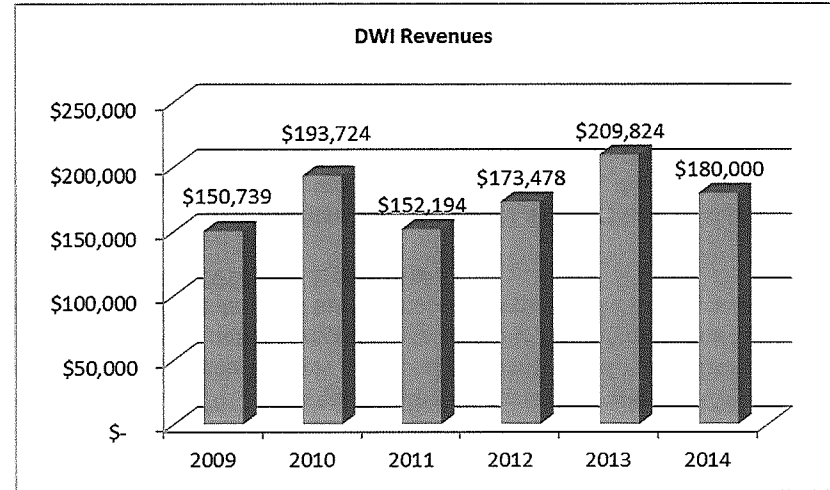
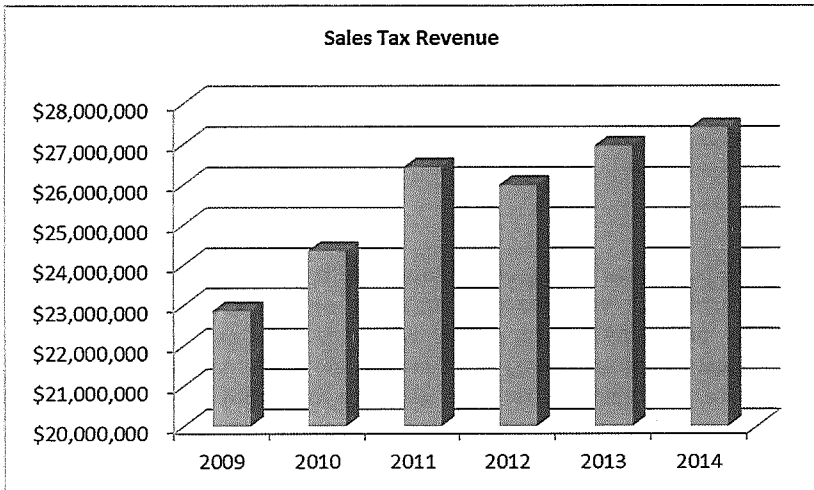
2014 Average Property Tax Rate	\$14.97
State Mandated Purposes	\$13.47
Cortland County Purposes	\$ 1.50

SALES TAX:

Sales tax is a major revenue source for Cortland County, second only to property tax. Since 2012 sales tax revenues have been increasing at a modest but steady rate. 2013 has rebounded from the decline experienced from 2011 to 2012 and is projected to surpass both those years and continue a slow but steady gain as the economy continues to lag.

The County will also see a modest increase in the sales tax revenue it receives due to a 2012 sales tax distribution agreement with the City of Cortland that deducts the cost of a bond payment and Motorola lease agreement for the new Emergency Interoperable Communications System off the top of the total sales tax revenue and provides the County a modest increase in years 2014, 2015, and 2016.

Again, without significant mandate relief or an influx of new revenue streams to offset the increasing costs of state mandates, the County may be forced to consider securing an even larger percentage of the sales tax revenue that is generated in Cortland County.



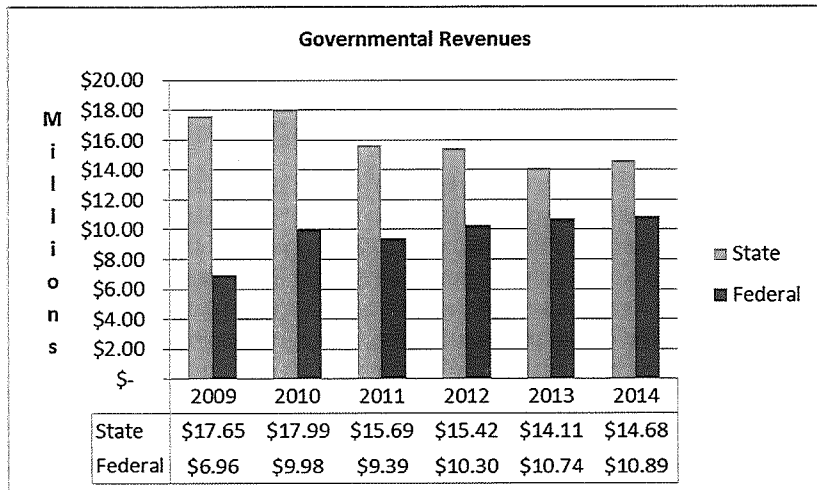
SALES TAX ANALYSIS 2009 – 2014			
Year	Total	County	T/V
2009	\$ 22,869,476	\$ 11,892,128	\$ 10,977,348
2010	\$ 24,357,846	\$ 12,666,080	\$ 11,691,766
2011	\$ 26,432,180	\$ 13,744,733	\$ 12,687,447
2012	\$ 25,988,272	\$ 13,513,901	\$ 12,474,371
2013*	\$ 26,957,500	\$ 13,436,624	\$ 12,403,038
2014*	\$ 27,405,000	\$ 14,806,877	\$ 12,598,123
*Budgeted			

STATE & FEDERAL AID:

The following Table depicts historical trends in State and Federal aid received for operating County programs. For the first time in four years, the County will receive more (\$81,000) State aid than the previous year. According to the State Comptroller’s data, between 2007 and 2001 state reimbursement to counties dropped by \$375 million annually, with virtually no reduction in the amount, scope of duration of programs counties were required to finance and administer. In fact, county caseloads for social services increased dramatically during this period. By 2011, State reimbursements to counties declined in every major category of spending, while county expenditures increased by nearly \$700 million annually (mostly driven by state mandated expenses). This represents a \$1 billion annual change in circumstances over that 4 year period.

DWI REVENUES:

The DWI Program receives its revenue from the collection of fines from drivers convicted of driving while intoxicated or ability impaired. These funds are also shared with other law enforcement Agencies and partners including Cortland City Police, Cortland County Probation Department and the District Attorneys Office.



OCCUPANCY TAX:

In 2013, the traveling public shook off the 2012 recession hangover and began traveling to and staying overnight in Cortland County. The Cortland Convention & Visitors Bureau indicates that occupancy is up 6.5% and revenues are up 6.2% over the last twelve months in the overnight business sector.

This is a very positive indication that the Cortland County tourism industry is doing well. It is critical we continue supporting a comprehensive tourism promotion program that focuses on the out-of county market to ensure continued success in generating these funds.

In 2014, the Tentative Budget recommends using and additional \$50,000 in occupancy tax reserve to support the tourism and promotional efforts of the Historic Society (\$22,500); the 1890 House (\$12,500) and the CNY Living History Center (\$15,000).

OTHER ISSUES AND OBJECTIVES:

Solid Waste Fund:

The Solid Waste Fund within the County Budget is comprised of three sub-funds: Landfill, Recycling and Bonds.

A few short years ago, the Solid Waste Fund was moved out of the General Fund and into an Enterprise Fund to comply with generally accepted accounting practices and better understand the short and long liability of these operations. It is now evident that this operation although intended to be self-sustaining as are all enterprise funds, does not generate enough capital to cover expenses at the legislated tipping fee and continues to be a drain on limited County resources.

As stated for the last three years, the long-term liabilities of closure and post-closure activities are not being adequately funded to cover the long-term liability exposure of approximately \$4.6 million.

The County Legislature formed a sub-committee of the standing Highway Committee to address the ongoing operating and future closure and post-closure activities deficit and under the leadership of Legislative Chairman Park and Solid Waste Committee Chairman Troy, Cortland County is investigating the concept of a mutually beneficial “Ash for Trash” inter-municipal agreement between Onondaga and Cortland County. Delivering environmentally and financially sustainable waste disposal through an inter-municipal partnership is a win for both communities and could address the ongoing annual deficits and future viability of the County Solid Waste Fund.

2012 Independent Audit Report:

In 2013, Cortland County engaged the firm of Bonadio & Co., LLP to audit the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, and each major fund of Cortland County for the year ended December 31, 2012. Bonadio & Co. also considered the County’s internal control over financial reporting as a basis for designing appropriate audit procedures for the purpose of expressing an opinion on financial statements.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. Material weaknesses were found to exist for prior period adjustments, capital assets and installment tax agreements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. Deficiencies in internal control were identified for GASD #54 Policy, absence of business continuity and disaster recovery plans, absence of an accounting manual and, absence of a formal online banking policy.

CONCLUSION:

Due to the dangerously high Constitutional Tax Limit of 89.64%, the County's ability to increase property taxes is severely limited, and the ability to maintain existing tax levels may be at risk because even small variations in exclusions or real property valuation could cause the County to exceed its tax limit. As such, the County must be vigilant in managing the tax margin, tax levy and limited revenue streams.

The Challenges facing county government have never been greater. The loss of federal stimulus funds, combined with a property tax cap and Constitutional Tax Limit requirements as well as ongoing changes with GASB reporting requirements make it imperative that the County take steps to ensure that full-time professionals, educated and trained in their respective fields, hold key leadership positions in County government, including that of Chief Fiscal Officer.

REMARKS:

I wish to express my thanks to the County Legislature, County Department Heads, and the entire staff and, in particular Carolyn Kennedy, Fiscal Manager, for the cooperation and assistance in the development of the 2014 Tentative Budget.

Sincerely,



Martin D. Murphy
County Administrator / Budget Officer

DEPARTMENT: INFORMATION TECHNOLOGY

DIVISIONS: INFORMATION TECHNOLOGY, CENTRAL COPYING/MAIL, VOICE COMMUNICATIONS (HARD WIRED PHONES AND CELL PHONES), RF COMMUNICATIONS

DESCRIPTION:

The Information Technology Department provides services to all County departments and agencies. In addition we help other municipalities, such as the City of Cortland and the Town of Cortlandville, and the Cortlandville Fire Department, as our resources allow. IT is responsible for maintaining specifically designed software for several departments and agencies as stated below. Responsibilities also include troubleshooting and updating software designed by outside vendors and used throughout the county. IT personnel are available 24 hours a day, seven days a week to resolve problems that occur outside of normal business hours.

IT is charged with network design for the County data network which includes buildings connected with fiber and several outlying buildings with wide area network (WAN) connections as well as inter-connectivity with State networks at multiple locations. We are currently supporting both wired and wireless connectivity within the county.

IT is responsible for the voice communications (telephone) network for the entire county. IT has been given the responsibility of the radio frequency (RF) network and RF infrastructure. This includes but is not limited to Sheriff's radios, Sheriff's RF network which provides data communications for the mobile data terminals (MDT or laptops) in the cars, the Virgil and Solon tower sites and interconnections of all of the above as well as Project Management for the new Cortland County Interoperable Communications System (CCICS).

IT is responsible for duties and functions normally associated with Central Services. Mail processing, large volume copying and printing and network printing are currently under our supervision. We are supporting the Sheriff's Department in their use of their records management and computer aided dispatch systems. IT has assisted several offices in their use of the document imaging system. IT is responsible for the county-wide copier lease and handles the payments from the various departments that in turn gets paid to the leasing company.

IT continues to act in a project management capacity. With ever greater integration of technology into every facet of our work place IT is being called on to lead the implementation of any initiative with a data or communications component. IT is the lead department for managing the deployment effort and identifying and applying for grants to offset the cost of the CCICS Project.

PERFORMANCE INDICATORS:

Item	2010 - Est	2011 - Est	2012 - Est	2013 -> 9/30	2013 - Proj	2014 - Est
Personal Computers	550	550	500	377	377	377
Laptops	70	70	60	99	99	99
Servers	26	26	25	35	43	45
Database Engines	5	6	6	6	8	8
Network Printers	50	50	50	50	50	50
Vendor Supplied Software	18	18	18	18	19	18
In-House Software Systems	17	17	17	17	17	17
WANS	10	10	10	10	10	10
Routers	5	5	5	5	5	5
Switch/Hub Ports	35/840	35/840	35/840	35/840	35/840	35/840
Network Copiers	41	43	45	45	45	45
Phones – Switches/Voicemail	5	5	5	4	4	4
Phones - Standard	640	622	600	595	600	570
Phones - VoIP	25	25	25	70	70	100

<i>Budget Account</i>	<i>Description</i>	<i>2012 Actual</i>	<i>2013 Adopted</i>	<i>2014 Dept Request</i>	<i>County Administrator</i>	<i>Committee Recommended</i>	<i>2014 Adopted</i>
A1680	INFORMATION TECHNOLOGY						
41289 1270 R	DEPARTMENTAL FEES	-26,932.00	-36,000	-34,000	-34,000	0	0
.1 Subtotal (1 detail record):		-26,932.00	-36,000	-34,000	-34,000	0	0
51005	43 DEP DIR IT	70,445.06	71,732	72,808	72,808	0	0
51005	32 NETWORK TECHNICIAN	40,772.06	43,837	43,684	43,684	0	0
51005	29 COMP PROG	52,628.74	56,411	56,388	56,388	0	0
51005	27 DIR IT	91,365.23	93,880	95,266	95,266	0	0
51005	20 IT SYSTEM ADMIN	59,369.03	61,877	48,155	48,155	0	0
51005	26 COMP SUPP	34,609.94	35,761	36,268	36,268	0	0
51005	23 IT SYSTEM ADMIN	58,869.03	60,877	62,260	62,260	0	0
51005	53 GIS SPECIALIST	0.00	0	46,347	46,347	0	0
.1 Subtotal (8 detail records):		408,059.09	424,374	461,176	461,176	0	0
52060 E	COMPUTER EQUIPMENT	42,086.81	80,000	80,000	80,000	0	0
.2 Subtotal (1 detail record):		42,086.81	80,000	80,000	80,000	0	0
54000 E	TELEPHONE	1,990.10	2,000	2,000	2,000	0	0
54004 E	COMPUTER SOFTWARE	57,198.01	56,850	65,400	65,400	0	0
54005 E	SUPPLIES	232.54	550	550	550	0	0
54020 E	POSTAGE	91.16	100	100	100	0	0
54035 E	EDUCATION & TRAINING	0.00	0	3,000	3,000	0	0
54040 E	ASSOC/MEMBERSHIP DUES	19,384.10	10,750	9,000	9,000	0	0
54045 E	TRAVEL & SUBSISTENCE	196.00	100	200	200	0	0
54047 E	MILEAGE REIMBURSEMENT	0.00	100	100	100	0	0
54050 E	EQUIP MAINT/REPAIR	1,928.32	2,500	6,000	5,000	0	0
54055 E	PROFESSIONAL SERVICES	4,473.33	1,000	1,000	1,000	0	0
54065 E	EQUIP RENT / LEASES	6,813.61	6,000	6,000	5,000	0	0
54070 E	INSURANCE	1,336.73	2,723	2,723	2,723	0	0
.4 Subtotal (12 detail records):		93,643.90	82,673	96,073	94,073	0	0
58020 E	RETIREMENT	56,409.70	84,875	96,847	96,847	0	0
58030 E	FICA	28,545.67	32,465	35,280	35,280	0	0
58040 E	WORKERS COMP	5,278.00	6,069	7,336	7,336	0	0
58060 E	HEALTH INS	91,718.90	92,784	110,930	110,930	0	0
58062 E	DENTAL INS	152.90	360	432	432	0	0
58065 E	VISION CARE BENEFITS	19.50	59	98	98	0	0
.8 Subtotal (6 detail records):		182,124.67	216,611	250,923	250,923	0	0

<i>Budget Account</i>	<i>Description</i>	<i>2012 Actual</i>	<i>2013 Adopted</i>	<i>2014 Dept Request</i>	<i>County Administrator</i>	<i>Committee Recommended</i>	<i>2014 Adopted</i>
	Net County Cost - A1680:	698,982.47	767,658	854,172	852,172	0	0

<i>Budget Account</i>	<i>Description</i>	<i>2012 Actual</i>	<i>2013 Adopted</i>	<i>2014 Dept Request</i>	<i>County Administrator</i>	<i>Committee Recommended</i>	<i>2014 Adopted</i>
A1610	TELEPHONE SHARED SERVICE						
41289 1272 R	DEPT FEES - PHONE	-145,481.97	-140,000	-128,000	-128,000	0	0
.1 Subtotal (1 detail record):		-145,481.97	-140,000	-128,000	-128,000	0	0
52015 E	TECHNICAL EQUIP	0.00	2,500	2,500	2,500	0	0
.2 Subtotal (1 detail record):		0.00	2,500	2,500	2,500	0	0
54000 E	TELEPHONE	74,249.45	62,000	62,000	62,000	0	0
54040 E	ASSOC/MEMBERSHIP DUES	1,905.00	3,000	3,000	3,000	0	0
54050 E	EQUIP MAINT/REPAIR	16,415.40	13,340	13,500	13,500	0	0
.4 Subtotal (3 detail records):		92,569.85	78,340	78,500	78,500	0	0
Net County Cost - A1610:		-52,912.12	-59,160	-47,000	-47,000	0	0

<i>Budget Account</i>	<i>Description</i>	<i>2012 Actual</i>	<i>2013 Adopted</i>	<i>2014 Dept Request</i>	<i>County Administrator</i>	<i>Committee Recommended</i>	<i>2014 Adopted</i>
A1670	CENTRAL SERVICES COPY						
41289 1276 R	DEPT FEES-POSTAGE	-96,648.67	-95,000	-84,000	-84,000	0	0
41289 1275 R	DEPT FEES- PRINTING	-57,509.93	-64,000	-60,000	-60,000	0	0
.1 Subtotal (2 detail records):		-154,158.60	-159,000	-144,000	-144,000	0	0
54001 E	COPYING/PRINTING	62,151.07	60,000	60,000	60,000	0	0
54005 E	SUPPLIES	0.00	300	300	300	0	0
54020 E	POSTAGE	95,000.00	95,000	84,000	84,000	0	0
54065 E	EQUIP RENT/LEASE	10,181.15	13,236	13,236	13,236	0	0
54070 E	INSURANCE	346.47	598	598	598	0	0
.4 Subtotal (5 detail records):		167,678.69	169,134	158,134	158,134	0	0
Net County Cost - A1670:		13,520.09	10,134	14,134	14,134	0	0

